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SUBJECT: NAS MONTHLY REPORT FOR MAY 2007

REF: A. A) LIMA 1818
B. B) LIMA 1762
C. C) LIMA 1788
D. D) LIMA 1944

SUMMARY

1. (U) The key developments in May 2007:

** A total of 1,583 hectares of coca has now been eradicated and 10,752 square meters of seedbeds have been eliminated.

** A second eradication front in Ucayali is slated to start in early June.

** The U.S. Foreign Agricultural Service (FAS) offered to provide ICT with USD 400,000 to develop a sustainability plan for marketing and exporting cacao.

** President Garcia inspected the two police academies and an eradication operation--a first for a Peruvian President.

** Peruvian university finds that coca represents around 90 percent of the exports in the Huanuco and Ayacucho regions.

** Garcia sacks Agriculture Minister Salazar, describing the recent accord he signed with the cocaleros as "mad and stupid."

** Graduates of NAS-supported "pre-academies" earn high marks on police entrance exam.

** Heightened security in eradication zones pushes aviation to exceed allocated flight time by 30 to 50 percent, requiring more maintenance and training.

** Drug seizures at airport exceed amount for all of 2006; 55 percent of containers leaving Peru are now being scanned.

** Peruvian Congress improves the 2004 precursor chemical law by increasing penalties and listing more chemicals.

** NAS is starting a Demand Reduction Program in Mazamari

at the behest of local leader and to support PNP base/academy.

** Peru's financial investigation unit will retain its autonomy thanks to new law.

** Public Ministry, OAS/CICAD, and ILEA all conduct training on money laundering.

END SUMMARY

CORAH PLANNING TO OPEN SECOND ERADICATION FRONT

12. (U) As of May 31, CORAH eradicated 1,583 hectares of illegal coca and eliminated 10,752 square meters of seedbeds. Starting on May 26, CORAH added an additional brigade of 40 eradicators in the Yanajanca area, for a total of five brigades, which increased CORAH's daily eradication average to 37 hectares per day, whereas with only four brigades, the daily average was 25 hectares. CORAH plans to add a sixth brigade (for a total of 240 eradicators) in early June, pending the necessary police support.

13. (U) CORAH is planning to open a second front next month in Ucayali, followed by Mazamari, with a smaller force of 60 eradicators to augment the eradication totals. The security restrictions in Yanajanca prompted CORAH to look for areas where protests would be less likely and are logistically uncomplicated. Opening a second front will not affect the main effort in Yanajanca. The second front will take advantage of the existing infrastructure in Pucallpa and the CORAH assets not being used in Yanajanca. Eradication in the Ucayali and Mazamari areas could also be done by road, thus freeing helicopters for other purposes. CORAH has identified about 600 hectares of illegal coca in Ucayali that could be eradicated in 45 days with this smaller force. CORAH will then move to the Mazamari Police Base and start eradicating an estimated 400 hectares over a period of 45 days. The operations will probably begin in Mazamari in early August. To maximize our use of personnel and equipment, NAS also continues to look for coca that is closer to the Santa Lucia Base and are in less conflictive areas that could be eradicated with less police support.

14. (U) The U.S. Foreign Agricultural Service (FAS) has offered to provide the Institute for Tropical Crops (ICT) with USD 350,000 to assist in the development of a business plan for marketing and exporting cacao, which is part of NAS's goal of making the Institute sustainable. The FAS assistance is on hold pending the approval of the Ministry of Agriculture.

GARCIA VISITS POLICE ACADEMIES AND ERADICATION SITE

15. (U) President Garcia visited the USG-supported police academies at Mazamari and Santa Lucia and over flew an eradication operation in Yanajanca on May 15 (Ref C). He inspected the two police basic training academies and gave stirring CN speeches to candidates applying for places at the academies, their families, and local authorities. Garcia inspected the eradication operations from an MI-17 helicopter, and delivered a strong message of support to CORAH eradication workers and police--the first time a Peruvian president has done so--it was a huge morale boost for the workers. Garcia was eloquent and emphatic in calling for an integrated fight against all aspects of narcotrafficking, to include eradication. He ordered them to "eradicate with all the force of the law and stop the entry of precursor chemicals" into the zone.

SEMINAR REVEALS SERIOUS SOCIAL COSTS OF COCA CULTIVATION

16. (U) On May 9-10, as part of a program to reinforce public support for CN efforts, the Institute for International Studies of Catholic University organized a seminar of distinguished Peruvian experts who addressed 200 attendees.

With an integrated focus on national security, democracy and governability, the speakers presented research on the threats to Peru by the narcotics industry in economic, social, health, and environmental terms, with recommendations for a public policy response. Respected economist Dennis Pereyra from Tingo Maria made a presentation on the economic distortions caused by coca and narco-trafficking in Huanuco (the region recently closed down by cocalero strikes). He concluded that coca represents around 90 percent of the exports in the Huanuco and Ayacucho regions.

GARCIA SACKS THE AGRICULTURE MINISTER

17. (U) President Garcia finally accepted the resignation of his Minister of Agriculture, Juan Jose Salazar, May 21 (Ref A). Salazar had signed the Tocache accord with cocaleros March 15 that emboldening cocaleros to step up violent strikes and protests. A few days later, Salazar stood on the steps of the Congress and called the GOP's anti-drug policy a failure. Nonetheless, Garcia continued to back him in a gesture of APRA solidarity. The President's patience finally ran out when Salazar signed an agreement with the cocaleros of Quillabamba (Cusco) on May 15 that committed the government to consider withdrawal from the Vienna Convention on Psychotropic Drugs. Garcia, who had made a strong public commitment to anti-drug efforts that same day, did not forgive this last act, characterizing it as "mad and stupid."

PRE-ACADEMY GRADUATES DO WELL ON PNP ENTRANCE EXAM

18. (U) On May 27, 1,700 applicants took the entrance examination for the three NAS-supported police academies. Among the applicants were 300 students who were evaluated and prepared for the exam by the pre-academies in Mazamari, Santa Lucia, and Ayacucho that are managed by a NAS-funded NGO. Two graduates from the pre-academies qualified to take the first two slots in the new class in Mazamari.

19. (U) In the VRAE, Palma Pampa interdiction operations have destroyed 132 cocaine-production laboratories this month. According to DIRANDRO statistics, to date 184 cocaine-production laboratories were destroyed; 349,255 kg of precursor chemicals, 1,638 kg of cocaine base, and 3,502 kg of cocaine HCl were seized. Local sources report that coca leaf in the Huallaga and the VRAE is selling for an average of 70 nuevo soles per arroba, a reduction of up to 15 nuevo soles.

110. (U) An average of 600 (300 per rotation) DIRANDRO, DIROES, and Peruvian Army (EP) personnel as well as a canine unit have been supporting the eradication operation in Yanajanca. In the last four weeks, 22 cocaine-production laboratories have been destroyed in the region.

DEMANDS ON AVIATION SUPPORT INCREASES WITH SECURITY THREAT

111. (U) NAS Aviation continues at a high tempo due to the increased security risk in the Yanajanca area. The UH-2s exceeded their allocated flight time by 30 percent in May and the NAS-funded PNP MI-17 exceeded its time by 50 percent. This is the first time the EP and PNP Special Operations Group have been integrated with eradication security police. These new security forces have had to be trained on the standard operating procedures for using helicopters. They have received additional classes and training after the accidental discharge of a weapon on board a helicopter (no one was injured).

112. (U) The increase in flying hours and the recent surge of new pilots has affected fleet readiness by requiring additional, unscheduled maintenance. The less experienced flight crews have caused over-torques--exceeding power limits--causing NAS aviation to review procedures for flying with heavy aircraft loads (ACL), air speeds, high temperatures, and high altitude environments.

SEIZURES SKYROCKET AT AIR AND SEA PORTS

¶13. (SBU) This month 431 kg of cocaine was seized at the International Airport in Lima, leading to 78 arrests. So far this year, 2,281 kg have been seized at the airport, surpassing the entire CY 2006 amount of 2,048 kg, which was more than double the amount in 2005 (978 kg). NAS began supporting airport interdiction operations in January 2006. The seizures were made in commercial air cargo, passenger luggage, and drugs carried on a passenger. We expect an increase in seizures and arrests when the x-ray body scanner is deployed in July 2007 (Ref B).

¶14. (U) The pace of container inspections at the Ports of Callao and Paita has increased significantly. Starting in January 2006, NAS introduced container scanners as well as non-intrusive instruments (NII) such as ion-scans and fiber-optics into the interdiction operations. Back in May 2005, an average of only three containers were inspected every month. In May 2007, 5,015 containers were inspected with an x-ray scanner in Callao alone and 341 received thorough manual and NII inspections. In the Port of Paita, 2,149 containers received x-ray scanning and 58 were subjected to intensive inspections. The total number of containers inspected this month was 7,563 export containers (vice three containers two years ago). Since NAS acquired the container scanner in October 2006, an estimated 55 percent of all containers leaving Peru have been scanned. With NAS support, Peruvian port officials are developing the following:

- specialized diving teams to look for drugs attached to or hidden on the outside of a ship's hull,
- a remote-control camera surveillance system to spot the insertion of drugs into cargo and containers post-inspection and to stop crews and port officials from carrying drugs on board, and
- no-notice roadblocks within the port to re-inspect cargo/containers prior to being loaded on a ship.

¶15. (SBU) NAS is coordinating with U.S. Customs and Border Protection (USCBP) for 18 Peruvian Customs and Counterdrug Police to attend the International Border Interdiction Training (IBIT) on June 18-22. The training will be conducted at the USCBP Land Border Entry Station in McAllen, Texas.

PERU'S CONGRESS IMPROVES CHEMICAL PRECURSORS LAW

¶16. (U) On May 31, the Peruvian Congress approved a law modifying the 2004 Precursor Chemical Control Law (and the Implementing Regulations) to include penalties and more specificity. It increases the penalties (5-10 years in prison) for trafficking in precursor chemicals, provides for more chemicals to be added to the prescribed list, and invalidates the licenses of companies found guilty of diverting chemicals to the drug trade. It added nitric acid and calcium hydroxide to the list of controlled chemicals, as well as some solvents. Companies using controlled substances are required to provide monthly input to special registries on the amount in their chemical stocks. The database prescribed in the 2004 Act has yet to be implemented although steps are being taken by the Ministry of Production in coordination with SUNAT.

NAS PLANS A DEMAND REDUCTION PROGRAM IN MAZAMARI

¶17. (U) NAS met several times with Andres Alvarado, "Lieutenant Governor" of Mazamari (a non-elective, but influential position), to discuss ways that NAS could reduce drug abuse in the area and educate the populace about the social/economic dangers of coca cultivation and narcotrafficking. Alvarado has shown himself to be a dynamic, proactive leader who is willing to tackle the hard development problems. Two NGOs familiar with the region will

conduct a needs assessment in June to understand the cultural, social, and economic situation in Mazamari. In July, NAS plans to start a drug prevention program there.

¶18. (U) On May 10, NAS Director participated in an event organized by a community anti-drug coalition (CAC) where municipal officials, the police, and over 100 members of the community pledged to coordinate efforts to reduce drug, alcohol, and tobacco use. Local youth groups performed dances and anti-drug skits. While the event was an impressive show of support for combating drugs, event organizers acknowledged that daily activities are what will ensure long-term impact and sustainability.

TRAINING INITIATIVES FOCUS ON MONEY LAUNDERING ISSUES

¶19. (U) NAS initiated a six-part lecture series, in cooperation with the Public Ministry, on money laundering and organized crime. The first event was attended by over 70 lawyers, prosecutors, judges and other law enforcement authorities. With OAS/CICAD, NAS is planning a seminar in August on money laundering and international terrorist financing for Southern Cone countries. Officials from Argentina, Brazil, Chile, Peru, and Uruguay attended a three-day seminar conducted by the U.S. Department of Treasury at the ILEA Regional Training Center in Lima on the prevention of money laundering in non-bank institutions.

CONGRESS PASSES LAW TO PRESERVE FIU AUTONOMY

¶20. (U) At the end of the month, the Peruvian Congress approved a law that incorporates the GOP Financial Intelligence Unit (FIU) into the Superintendency of Banking and Insurance (Ref D). Prior to this new law, the FIU was going to be moved to the Ministry of Economy and Finance, raising concerns that the FIU would lose its autonomy to carry out its work. With this decision, the FIU will be in a position to continue to pursue money laundering cases autonomously.

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